

## **Medicare's Shared Savings Program for ACOs**

**ISSUE:** An Accountable Care Organization (ACO) is a group of providers that will be held responsible for the quality and cost of health care for a population of Medicare beneficiaries. The Patient Protection and Affordable Care Act (PPACA) outlines how Medicare ACOs will be formed and paid. In this mailing we will discuss the requirements of new Medicare ACOs, the incentives they face, and issues that will need to be resolved in the future by regulation.

**KEY POINTS:** We provide the Commissioners with information on the characteristics of ACOs, the mechanisms ACOs may use to constrain spending growth, and a series of key issues that will need to be settled by future regulation. These issues involve managing random variation in Medicare spending, the strength of financial incentives, measuring quality in ACOs, and informing the Medicare beneficiaries of their physician's decision to join an ACO.

**ACTION:** Commissioners can discuss the issues regarding the evolution of the Medicare ACO program.

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